



A progressive commercial business



creating significant value



beyond financial return

# Introduction

Underlying our work in Wales is a commitment to providing lasting value and taking our responsibilities for natural resources seriously.

**Our vision is to be a progressive commercial business creating significant value beyond financial return.**

**We will work with partners and stakeholders to grow our business, outperforming the market whilst delivering sustainable long-term returns and making a positive impact through our Total Contribution to the UK.**

**In everything we do, we are guided by our values – commercialism, integrity and stewardship.**

**Our activities span energy, rural and coastal developments and retail, sectors that are crucial to ensuring a strong economic future for Wales.**

## How we operate

Our commercial expertise enables us to provide advice and support to organisations ranging from community bodies to government agencies.

Increasingly we choose to work collaboratively alongside partners who are passionate about achieving the best for Wales. We understand the aims of the Welsh Government and other partners and work with them to achieve their strategic goals, particularly in the emerging renewables sector.

Because we have extensive rural interests along with management responsibilities for the Welsh foreshore, we also engage with smaller communities who, with our help and advice, can realise commercial opportunities that benefit the local economy. As managers of the seabed we have a strong focus on renewable energy, playing a crucial role in support of the sector. We know that a sound infrastructure for this emerging industry is key to its future success.

## Where we operate

Through our responsibilities for the seabed out to 12 nautical miles, we have interests in renewable energy, oil and gas

pipelines, marine aggregation extraction, telecommunications and power cables. In addition we have specific rights over the continental shelf up to 200 nautical miles (excluding hydrocarbons) and are responsible for about 65 per cent of the Welsh foreshore.

We own two rural estates at Plynlimon and Tintern totalling 1,310 hectares (3,238 acres) of agricultural land and a further 26,900 hectares (66,470 acres) of Welsh common land. Additional economic interests include ports, marinas and onshore wind farms, and within our retail portfolio we own a shopping park, Morfa, in Swansea.

Onshore, we have responsibility for around 100,000 hectares (247,000 acres) of mineral-only ownership and there are eight sites leased for mineral extraction. We also own deposits of gold and silver, known as Mines Royal, wherever they are found in most of the UK, and have two leases in place for gold mining within Wales.



As managers of the seabed we have a strong focus on renewable energy, playing a crucial role in support of the sector.

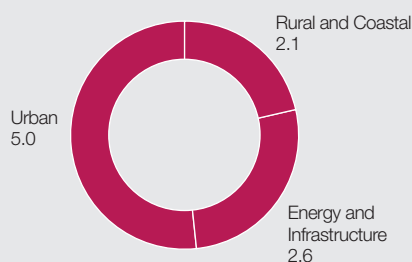


# Wales financial highlights

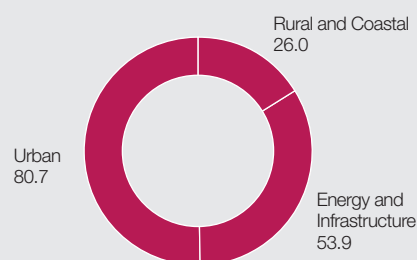
How we've performed	The Crown Estate Wales Year ended 31 March 2014 £m	The Crown Estate Wales Year ended 31 March 2013 £m	The Crown Estate total Year ended 31 March 2014 £m	The Crown Estate total Year ended 31 March 2013 £m	Increase from prior year %	Percentage of total %
<b>Revenue</b>	<b>9.7</b>	8.6	<b>350.8</b>	332.2	<b>12.8</b>	<b>2.8</b>
Gross surplus	<b>9.4</b>	8.2	<b>304.9</b>	283.2	<b>14.6</b>	<b>3.1</b>
<b>Property value</b>	<b>160.6</b>	139.5	<b>8,914.7</b>	7,752.2	<b>15.1</b>	<b>1.8</b>
Capital investments	<b>0.4</b>	1.6	<b>511.7</b>	324.3		
Capital receipts	<b>-</b>	0.7	<b>457.2</b>	351.9		

Revenue by activity	The Crown Estate Wales Year ended 31 March 2014 £m	The Crown Estate Wales Year ended 31 March 2013 £m	Property value by activity	The Crown Estate Wales Year ended 31 March 2014 £m	The Crown Estate Wales Year ended 31 March 2013 £m
Coastal	<b>1.5</b>	1.3	Coastal	<b>16.4</b>	16.4
Cables/pipelines	<b>0.1</b>	0.1	Cables/pipelines	<b>1.8</b>	1.6
Agriculture	<b>0.1</b>	0.1	Agriculture	<b>4.5</b>	4.0
Forestry	<b>-</b>	-	Forestry	<b>0.1</b>	0.4
Minerals	<b>0.4</b>	0.4	Minerals	<b>3.2</b>	3.1
<b>Rural and Coastal total</b>	<b>2.1</b>	1.9	<b>Rural and Coastal total</b>	<b>26.0</b>	25.5
Cables/pipelines	<b>0.6</b>	0.3	Cables/pipelines	<b>8.6</b>	4.1
Dredging	<b>0.8</b>	0.7	Dredging	<b>6.2</b>	4.0
Renewables	<b>1.2</b>	0.7	Renewables	<b>39.1</b>	27.1
<b>Energy and Infrastructure total</b>	<b>2.6</b>	1.7	<b>Energy and Infrastructure total</b>	<b>53.9</b>	35.2
<b>Urban retail</b>	<b>5.0</b>	5.0	<b>Urban retail</b>	<b>80.7</b>	78.8
<b>Total</b>	<b>9.7</b>	8.6	<b>Total</b>	<b>160.6</b>	139.5

Revenue by activity 2014 £m



Property value by activity 2014 £m



*Alison Nimmo*

**Alison Nimmo CBE**  
Signed by Second Commissioner and  
Accounting Officer on behalf of the Board

19 June 2014

# The Crown Estate in Wales

We manage our assets to enhance commercial return but also to create a strong foundation that can underpin a sustainable future for communities across Wales.

## Working for a prosperous Wales

Both the UK and Welsh Governments remain strongly committed to offshore renewable energy and we continue to support development in this sector. Although we do not fund individual projects we do contribute expertise to help de-risk projects, enhancing their attractiveness to investors. We work collaboratively to overcome technical and physical constraints and fund research that considers how best to balance the needs of these projects with the responsibility to protect the marine environment.

This year has seen offshore energy potential move into a new phase, as some early projects dropped away leaving behind others that will be the front-runners of this still growing industry. Wales has two fully operational wind farms, off the north coast at North Hoyle, the UK's first large scale offshore wind farm, and Rhyl Flats. In 2013/14 offshore wind income for Wales reached £1.2 million.

In the past 12 months development has moved ahead on further offshore wind sites. One such is the Gwynt y Môr wind farm off Anglesey, one of the Round 2 schemes that is predicted to generate 576 MW of power, capable of powering 400,000 homes. Construction has been based at local ports, including Mostyn on the River Dee, with foundations, offshore substations and power export cables all now installed.

When work is completed at the end of this year, all three wind farms will be managed from Mostyn. The developer of all three farms, RWE Innogy, is providing £19 million in community funding across the lifetime of the project.

In December 2013, RWE Innogy ended its agreements with The Crown Estate in relation to the Bristol Channel Zone, meaning that the Atlantic Array project is now terminated. Whilst The Crown Estate has no plans to undertake further work on the Bristol Channel Zone for the foreseeable future, we recognise that the area remains a good resource with long-term potential for development. Activity by Celtic Array Ltd on the Irish Sea zone remains focused on the Rhiannon Project, the first proposed wind farm.

Tidal range is another potential energy resource and we have funded research into its suitability as a source of tidal range energy. In 2012, we published the results of a study mapping the UK's potential wave and tidal power resources, which found that tidal range energy schemes could provide up to 25 terawatt hours per year, equal to 14 GW of new capacity.

At the end of 2013 we invited interested parties to share their views about possible approaches to leasing tidal range projects. This revealed that there is considerable interest in developing projects in north and south Wales, including the Bristol Channel, in the coming years. Proposals are at an early stage but we look for further progress over the coming year. Following feedback, we are now reviewing our position on the potential release of seabed rights for tidal range schemes, to see what needs to be done to best align stakeholder feedback with our own objectives.

Several wave and tidal stream projects are currently under development off the Welsh coast. These include the Anglesey Skerries, under development by Siemens Marine Current Turbines, plus projects by Tidal Energy Limited at Ramsey Sound and St David's Head. In addition, Marine Energy Pembrokeshire, an initiative supported by the Welsh Government and other parties including The Crown Estate, has continued to encourage wave and tidal development in the Pembrokeshire area. Looking ahead, further areas of the seabed may be developed following the conclusion of The Crown Estate's latest wave and tidal leasing process which started in October 2013 and is set to end later in 2014.

Another area where collaboration has proven to be the key to success is the potential to import electricity from renewable energy projects outside the UK using subsea cables.

The UK and Irish Governments have entered into a Memorandum of Understanding and are looking at how energy trading might successfully work, with subsea cables being brought into Wales. We have been working with the Welsh Government and Natural Resources Wales to consider how subsea cables and related facilities could be developed while retaining our commitment to long-term sustainability.

The Crown Estate, with its remit to manage the UK's seabed and much of the foreshore, has been well placed to help drive development of new energy sources and delivery. We signed an agreement with Scottish Power Transmission and National Grid for the Western HVDC link, the first ever subsea link between England, Scotland and Wales. This link will provide around 2,000 MW, which is enough to power more than 4 million homes a year.

## Managing a rich environment

We continue to work with our tenants on our rural estates at Plynlimon and Tintern along with the people who use 26,900 hectares (66,470 acres) of common land, mainly for grazing sheep. Our role is to support day-to-day management and to ensure that the long-term value of the estates is maintained. Our Tintern estate includes world-famous Tintern Abbey, which remains in the care of Cadw, the national historic environment service.

Alongside these rural holdings, we also have eight mineral extraction sites in Wales, which we lease to operators. The production includes limestone aggregates, igneous rock and slate.

Mineral resources also extend to marine aggregate extraction, for which we grant the licences. Marine aggregates have been used in numerous high profile schemes in Wales including the Conwy Tunnel crossing; Second Severn Crossing; Cardiff Bay Barrage; Holyhead Ferry Terminal and Milford Haven oil terminal. Although signs of recovery in the construction market were present in the second half of 2013, marine aggregate extraction from Welsh licences was flat during the year against the previous 12 months, at around 750,000 tonnes.

Minerals extraction nevertheless brings a number of economic benefits both in direct employment and through additional activity at Welsh ports with Newport, Cardiff, Briton Ferry, Swansea, Burry Port, Pembroke and Porth Penrhyn all seeing marine minerals traffic. In south Wales marine aggregate is particularly important to the construction sector, where more than 80 per cent of the sand used in this market is dredged from the sea.

We are committed to managing our resources responsibly, so we continue to implement measures to ensure that minerals extraction takes place in line with good practice. Over the coming year, we will replace the electronic monitoring system that is used on all aggregate dredgers to monitor compliance with licence terms. We regularly review the available scientific evidence to ensure that the dredging industry follows best practice and operates in a sustainable way. As part of this we have recently published a brochure providing an overview of the marine aggregates business portfolio and its capability.



We continue to show our commitment in Wales through our work and regular engagement with stakeholders, Government and the public.



## The Crown Estate in Wales continued

Natural Resources Wales has granted new 15-year marine licence permissions for extraction from the Hilbre Swash off north Wales, providing a long-term source of marine aggregates for the region. We expect mineral activity to increase as the construction sector continues to recover.

As we adapt to climate change, large volumes of marine sand and gravels are being used in beach replenishment schemes. Aggregates are pumped directly from dredgers onto beaches, providing coastal protection, enhancing the amenity value and providing security to the local economy. Examples of this include the project to replenish beaches in Colwyn Bay during 2013 and 2014. The Crown Estate is talking with the Welsh Government, Natural Resources Wales and local authorities about innovative coastal management techniques the potential for using marine minerals which could enable coastal communities to adapt and ensure their long-term sustainability.

In terms of value, The Morfa Shopping Park in Swansea represents a major part of our Welsh interests. We purchased this 346,000 sq ft centre in 2011 and it is well located close the city centre and the M4. Tenants include William Morrison, TK Maxx, New Look, Next, B&Q and DSG Curry's megastore.

### Developing coastal potential

Around the Welsh coast, there are many communities intent on exploring opportunities for future sustainable development. Our focus is to help locally-led organisations to realise their plans, whether it be to improve amenities and access to leisure activities, or support environmental schemes that will attract new revenue and jobs. We recognise the importance of the marine leisure industry to Wales through our sponsorship of the All Wales Boat Show in addition to operating our Conwy and Deganwy Marinas.

Our Marine Stewardship Fund supports community initiatives in Wales that promote sustainable management of the coast. In the past year, we have continued our support for the RSPB Conwy Nature Reserve, where we have provided £62,000 towards redevelopment. The reserve is built on Crown Estate land and is leased to the RSPB for conservation and environmental management. This has included the development of a new observation building that was built with straw sourced from our Tabley estate in Cheshire and constructed by volunteers from our staff. The use of straw has ensured that the building has a low visual impact and will not require heating in winter, providing a sustainable but comfortable amenity for visitors.

The stewardship fund also provided £30,000 to install a landing stage at Newport Parrog that allows safe access to the sea at all states of the tide and another £30,000 to build an innovative retractable slipway in Pwllheli to be used by the Welsh National Sailing Academy and events centre. We have also supported Marine Energy Pembrokeshire and statutory bodies to work together towards overcoming potential barriers to consent.

### Choosing a co-operative approach

We continue to show our commitment in Wales through our work and regular engagement with stakeholders, Government and the public. Our close working relationship with the Welsh Government is set out in our joint Memorandum of Understanding, which defines the responsibilities and levels of accountability of our respective organisations.

We provide advice to the Welsh Government and its agencies through consultation responses and by contributing to and taking part in advisory committees and technical working groups. With the creation last year of Natural Resources Wales, which combined the Countryside Council for Wales, Environment Agency Wales, Forestry Commission Wales and the Welsh Government's Marine Consents Unit, we have established early relationships with the new body, and expect to work closely with its various teams.

Since our last report we have collaborated with the Welsh Government to assist them on their emerging statutory marine planning system. We have also met with the First Minister and other ministers and have provided evidence to the Commission on Devolution in Wales (Silk Commission). We look forward to continuing the dialogue with both UK and Welsh Governments on the outcome of the work of the Commission.

# Report of the Comptroller and Auditor General to The Crown Estate Commissioners

I have audited the financial statements of The Crown Estate for the year ended 31 March 2014, from which the financial information within the Wales financial highlights page was derived, in accordance with International Standards on Auditing. In my report dated 10 June 2014, I expressed an unqualified opinion on the financial statements from which the financial information was derived.

In my opinion, the accompanying financial information has been correctly extracted, in all material respects, from the accounting records used to construct the audited financial statements from which they were derived.

For a better understanding of The Crown Estate's position and the results of its operations for the period and of the scope of our audit, the financial information should be read in conjunction with the financial statements from which the financial information was derived and our audit report thereon.

**Sir Amyas C E Morse**  
Comptroller and Auditor General

National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

20 June 2014



[www.thecrownestate.co.uk](http://www.thecrownestate.co.uk)

 @TheCrownEstate